

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
SAB-02 OES-07 DLOS-09 OMB-01 AID-05 TRSY-02 EB-08  
/102 W

-----106716 290614Z /11

R 281715Z APR 78  
FM AMEMBASSY PANAMA  
TO SECSTATE WASHDC 6776  
INFO PANCANAL  
USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 2932

E.O. 11652: GDS  
TAGS: PEPR, PINT, PN  
SUBJECT: THE PANAMANIAN ATMOSPHERE IN THE PERIOD OF PREPARATION  
FOR TREATY IMPLEMENTATION

SUMMARY: PANAMA HAS REACTED TO THE TREATIES WITH NEITHER  
EUPHORIA NOR DEJECTION. SINCE THE SENATE APPROVED THE TREATIES,  
THE OPPOSITION HAS BEEN UNABLE TO TAKE MUCH ADVANTAGE OF  
THEIR NEGATIVE ASPECTS. MOST PANAMANIAN ARE RELIEVED AND  
PLEASED TO HAVE THE PROBLEM RESOLVED TO PANAMA'S REASONABLE  
SATISFACTION. BUT THEY HAVE HAD IT UP TO HERE WITH THE  
TREATY QUESTION AND ARE READY TO MOVE ON TO OTHER MATTERS.  
IN THE NEXT FEW MONTHS NEITHER STUDENTS NOR THE PARTIES ARE  
LIKELY TO GAIN MUCH STRENGTH UNLESS AN UNEXPECTED ISSUE  
EMERGES. THE AUGUST ELECTIONS FOR CORREGIMIENTO REPRESENT-  
TIVES WILL GENERATE SOME ENTHUSIASM; BUT THESE ARE MAINLY  
LOCAL, WITH LIMITED POTENTIAL FOR NATIONAL REPERCUSSIONS.  
THE ECONOMIC OUTLOOK MAY IMPROVE SOMEWHAT BUT IS UNLIKELY  
TO CHANGE SUFFICIENTLY IN THE NEXT FEW MONTHS TO ALTER THIS  
PICTURE. SO FOR THE NEXT FEW MONTHS THINGS WILL PRO-  
BABLY ROCK ALONG MUCH AS THEY HAVE IN THE PAST SIX  
MONTHS OR SO. IN THIS TIME FRAME, THE TREATIES STRENGTHEN  
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TORRIJOS, BUT WE DOUBT HE HAS THE FLEXIBILITY TO MAKE  
BASIC CHANGES IN POLICY, EVEN IF HE WISHED. END SUMMARY

1. OPPOSITION TO THE CANAL TREATIES IS STILL ALIVE  
HERE, BUT IT APPEARS TO HAVE LOST ITS SPARK. THE STUDENT  
DEMONSTRATIONS WERE A FLOP. THE POLITICAL PARTIES HAVE  
PRONOUNCED ON THE TREATIES' SHORTCOMINGS, AND THE PUBLIC

HAS RESPONDED WITH A SHRUG. THE FACT IS THAT PANAMA IS TIRED OF THE TREATY ISSUE AND WANTS TO MOVE ON TO OTHER THINGS.

2. THERE HAS BEEN SURPRISINGLY LITTLE EXULTATION OVER THE TREATIES. TOO MANY WOUNDS WERE OPENED DURING THE SENATE DEBATE; AND, ABOVE ALL, THERE IS THE KNOWLEDGE THAT BEHIND THE CHURCH AMENDMENT THERE STILL LURKS DECONCINI. AND BROOKE PUTS THE WHOLE THING OFF FOR A YEAR. SO THE BITTER TASTE LINGERS WITH THE SWEET AS PANAMA SURVEYS THE POST-RATIFICATION SCENE. WHAT PEOPLE FEEL MOST, IT SEEMS, IS RELIEF THAT THE ORDEAL IS OVER AND THAT THERE WAS NO VIOLENCE.

3. WE BELIEVE THAT THE POLITICAL SCENE WILL UNFOLD WITH FEW SURPRISES IN THE MONTHS AHEAD. THE ANTI-GOVERNMENT, ANTI-TREATY STUDENTS WILL BE RESTIVE, BUT WILL PROBABLY LACK THE STRENGTH OR THE ISSUE TO ROCK THE BOAT. THE PARTIES ARE ALSO TOO WEAK TO BE MORE THAN A NUISANCE. TORRIJOS WILL KEEP THE PARTIES IN LIMBO UNTIL AFTER THE OCTOBER ELECTION OF THE PRESIDENT BY THE NATIONAL ASSEMBLY, ALLOWING THEM CONSIDERABLE FREEDOM OF EXPRESSION BUT NO REAL WAY TO GET AT THE GOVERNMENT. AFTER YOU'VE SAID IT STINKS, WHAT DO YOU DO?

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4. THE AUGUST ELECTIONS WILL GENERATE SOME ENTHUSIASM, BUT NOT MUCH. ESSENTIALLY THE ELECTIONS ARE LOCAL IN NATURE. THE CORREGIMIENTO REPRESENTATIVES HAVE CONSIDERABLE INFLUENCE IN THEIR COMMUNITIES, BUT THE NATIONAL ASSEMBLY ITSELF IS INCONSEQUENTIAL. TORRIJOS HAS SAID HE IS CONSIDERING BEEFING UP THE ASSEMBLY'S CONSTITUTIONAL RESPONSIBILITIES (PANAMA 2175), BUT IT WILL CONTINUE TO BE MARGINAL TO THE EXERCISE OF POWER IN PANAMA. IN THE FINAL ANALYSIS, A REPRESENTATIVE IS IN A GOOD POSITION TO GET SOMETHING FROM THE REGIME IF HE COOPERATES, BUT HE IS IN A POOR POSITION TO BE EFFECTIVE IN OPPOSITION.

5. THERE ARE GOOD GROUNDS FOR DOUBTING THAT THE TREATIES GIVE TORRIJOS ANY LONG-TERM HOLD ON POWER HERE; BUT IN THE TIME FRAME WE ARE TALKING ABOUT, THE TREATIES UNDOUBTEDLY STRENGTHEN HIM -- PARTICULARLY WHEN YOU CONSIDER THE ALTERNATIVE, I.E., NO TREATIES. DESPITE THE ABUSE HE SUFFERED IN THE SENATE DEBATE AND THE BITTER PILL OF DECONCINI WHICH HE HAD TO SWALLOW, TORRIJOS HAS GONE A LONG WAY TOWARD ACHIEVING THE GOALS TO WHICH PANAMA HAS ASPIRED SINCE INDEPENDENCE. MOST

PEOPLE APPRECIATE THIS FACT.

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C O N F I D E N T I A L SECTION 2 OF 2 PANAMA 2932

6. BUT PANAMANIAN ARE ALREADY CONSCIOUS THAT THE TREATIES ARE NOT GOING TO HAVE A GREAT IMMEDIATE IMPACT ON PANAMA. AND THAT CONSCIOUSNESS IS GROWING. IT IS NOW WIDELY REALIZED THAT THE TREATIES DO NOT GO INTO EFFECT FOR NEARLY A YEAR AND A HALF. THE ECONOMIC SITUATION IS AS BAD AS EVER; APPROVAL OF THE TREATIES MAY UNLOOSEN A BIT OF INVESTMENT CAPITAL WHICH WAS WAITING IN THE WINGS. BUT THERE ARE INDICATIONS THAT MOST BUSINESSES ARE STILL WAITING. TORRIJOS' ANNOUNCEMENT APRIL 18 THAT HE WOULD HAVE "DESTROYED" THE CANAL IF THE SENATE HAD REJECTED THE CANAL TREATY MADE A VERY BAD IMPRESSION ON LOCAL BUSINESSMEN. A MAJORITY OF THE PANAMANIAN BUSINESS COMMUNITY HAS LONG MISTRUSTED TORRIJOS AS A WILD MAN, AND HIS ILL-TIMED REMARKS TENDED TO CONFIRM THEIR WORST FEARS. IN ADDITION, MANY PROSPECTIVE INVESTORS SEEM TO FEEL THEY ARE TRAPPED IN A MATRIX OF FACTORS BEYOND THEIR CONTROL. THEY SEE SUGAR PRICES, OIL PRICES, THE DEBT PROBLEM AND A HOST OF OTHER THINGS PROCEEDING INEXORABLY ON THEIR APPOINTED WAY. AND THE GOVERNMENT SEEMS TO THEM NOT TO SHOW AN ADEQUATE CONCERN FOR THE PROBLEMS OF BUSINESS.

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7. SOME PANAMANIAN EXPECT THAT THE TORRIJOS GOVERNMENT MAY NOW SWERVE STRONGLY EITHER TO THE RIGHT OR TO THE LEFT. BUSINESSMEN HOPE THAT TORRIJOS WILL PUT MORE LIGHT BETWEEN HIMSELF AND HIS POPULIST, SOCIALIST-LEANING SUPPORTERS BOTH WITHIN AND OUTSIDE THE GOVERNMENT. AND THE LEFT IS HOPEFUL IT WILL NOW BE FAVORED. BOTH ARE PROBABLY UNREALISTIC. TORRIJOS WILL HARDLY WANT TO ALIENATE THE LEFT, FROM WHENCE HIS POPULAR SUPPORT COMES; AND THE ECONOMIC SITUATION LIMITS HIS FLEXIBILITY TO ADOPT POPULIST POLICIES. BALANCING THE LEFT AND THE RIGHT HAS ALWAYS HELPED TORRIJOS MAINTAIN HIS OWN POSITION, AND ANY SHIFT IN THE NEXT FEW MONTHS IS LIKELY TO BE ONLY A NUANCE HERE AND THERE.

8. SO, BARRING UNEXPECTED DEVELOPMENTS, PANAMA WILL IN THE MONTHS AHEAD BE MUCH THE SAME PANAMA WE HAVE SEEN DEVELOP SINCE LAST OCTOBER. THERE WILL BE CONSIDERABLE POLITICAL ACTIVITY, BUT IT WILL, FOR THE MOST PART, NOT BE TREATY ORIENTED AND, INsofar AS IT IS AIMED AT A FUNDAMENTAL CHANGE IN THE REGIME, IT WILL BE INEFFECTUAL. THE ECONOMIC SCENE WILL CLARIFY ONLY SLOWLY, AS MUCH OF THE BUSINESS COMMUNITY CONTINUES TO WAIT AND SEE. THE GOVERNMENT WILL BE INCREASINGLY ABSORBED IN TREATY IMPLEMENTATION; THERE WILL PROBABLY BE SOME NEW FRICTIONS WITH THE U.S., BUT NOTHING CATASTROPHIC.  
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